

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6332

BILL NUMBER: HB 1115

NOTE PREPARED: Nov 30, 2005

BILL AMENDED:

SUBJECT: Cost-of-Living Adjustment for Sheriffs' Pension.

FIRST AUTHOR: Rep. Kuzman

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill authorizes a county fiscal body to establish by ordinance an annual cost-of-living adjustment (COLA) for surviving spouses of employee beneficiaries of a sheriff's pension trust.

Effective Date: July 1, 2006.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: Several counties now provide COLAs on benefits payable from the retirement plan. These COLAs vary by the maximum annual increase (not to exceed 3%) and the period for which the increases are provided (for the lifetime of the participant, or only until the Social Security retirement age is reached, for instance). It is assumed that this proposal is to allow the same type of variability in the COLA provided on the benefits paid to surviving spouses. The impact of this proposal will depend on the extent counties will provide the COLA to surviving spouses. Furthermore, the impact will vary by county, based on the current surviving spouse benefit amount, the number of surviving spouses currently receiving the benefit, and the number of retired participants whose spouses are eligible to eventually receive the benefit.

Background Information: For illustrative purposes, the following is the estimated impact that would occur in one county's police benefit plan if the plan were to provide a COLA on the benefits paid to surviving spouses.

This county currently provides a \$550 monthly benefit to surviving spouses of employees that die, either while employed and participating in the retirement plan or after retiring and receiving a benefit from the retirement

plan. The county police retirement benefit plan currently pays monthly benefits to 36 surviving spouses. It has been assumed for these figures that an annual COLA of 3% would be provided to surviving spouses beginning immediately (regardless of age) and continuing on for the life of the surviving spouse.

Increase in Accrued Liabilities	\$1,030,000
Increase in Annual Funding	\$ 113,000
Increase in Annual Funding (% of payroll)	1.8%

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: Those counties who elect to provide the new benefit.

Information Sources: Doug Fiddler of McCready & Keane, Inc., actuaries for many of the County Police Benefit Plans, 317 849-4333.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS

Actuarial Liability—The actuarial liability of a retirement system at any time is the excess of the present value of all benefits thereafter payable under the system over the present value of future normal costs.

Funding— A systematic program under which assets are set aside in amounts and at times approximately coincident with the accruing of benefit rights under a retirement system.